

Federal Reserve eases fears of global economic crisis

AFP, Washington

The US Federal Reserve on Friday made its boldest move since markets became gripped by fear of a global economic crisis, slashing a key interest rate and sending jittery stock markets shooting higher.

The central bank cut the rate it charges commercial banks to 5.75 percent, saying that it wanted to restore order in financial markets that were hit by "increased uncertainty."

It is extremely unusual for the Fed to act outside of its scheduled rate meetings and the last time it did so was on September 17, 2001 when it sought to calm markets after terror attacks on New York and Washington.

The current global credit crisis was sparked by the subprime, or high-risk, home loan sector in the United States.

Dozens of US mortgage lenders have been put out of business and major US and European banks have taken a hit, and banks across the world are growing increasingly wary about granting new loans.

The Fed's interest rate cut -- which came along with an injection of a further six billion dollars into the distressed US financial system -- was aimed at easing those fears by giving banks enough cash to continue lending normally.

"The markets have taken this move as a positive step, but this may prove to be a knee-jerk rally,"

said analyst Martin Slaney at GFT Global Markets.

"An emergency cut such as this may have worked to calm markets in previous times of turmoil such as after 9/11, but this time it could prove counter-productive," he said.

Stock markets in both the US and Europe -- which on Thursday had plunged, wiping tens of billions of dollars off share values -- rocketed higher after the Fed announcement.

New York's Dow Jones Industrial Average jumped 1.62 percent to 13,054.12 points within three minutes of the opening bell, while London's FTSE 100 surged by almost 4.0 percent and equity prices rose by around 3.0 percent in both Paris and Frankfurt.

The Fed announcement came too late for Asia, where major markets had closed Friday down more than five percent as investors scrambled to exit the market fearing further heavy losses.

Panicky investors across the globe had been selling off shares all week to escape a snowballing credit crisis, with many placing their money instead in so-called safe-haven investments such as government bonds.

Traders are worried about companies and banks with exposure to the subprime mortgage sector in the United States, and they fear that the situation could lead to a full-blown credit crunch.

Central bankers and political leaders on Friday again tried to calm frayed nerves, insisting that despite

the turbulence, the global economic outlook remained strong.

Britain's finance minister Alistair Darling said that "there are difficulties with the US housing market, but I think fundamentally the world economy is strong and the prospects are good."

His comments were echoed by Australia's central bank governor and by Canada's finance minister.

Japan's Jiji Press reported Friday that the so-called G7 rich nations -- Britain, Canada, France, Germany, Italy, Japan and the United States -- had begun discussing measures to cope with plunging stock markets and wild foreign exchange fluctuations caused by the US credit turmoil.

Central banks from Sydney to Frankfurt to Washington have together pumped billions of dollars into the global financial system in recent days amid signs that commercial banks were tightening lending practices because of a lack of liquidity.

The US housing market saw years of booming house prices and cheap credit but is now in reverse, with loans becoming more expensive and house prices falling.

This has caused high numbers of mortgage defaults as borrowers, particularly subprime borrowers -- people who have a poor credit history -- struggle to make their repayments.

Sarkozy calls for G7 action on market transparency

AFP, Paris

French President Nicolas Sarkozy called Thursday for the Group of Seven most industrialised nations to take steps to improve transparency in world markets.

In a letter to the current G7 chair, German Chancellor Angela Merkel, Sarkozy said he was confident the fallout from turmoil in US credit markets would have no long-term effect on growth.

"I am convinced that these market movements will not lastingly affect the growth of our economies, which is strong," he wrote.

The French president argued however that "to bring the response that is expected to the evolutions seen in recent days, we must first ensure the transparency of international markets."

"That is the main instrument of regulation upon which we can rely", to ensure the ability of world markets to "efficiently and stably finance the world economy," Sarkozy said.

Sarkozy suggested that G7 finance ministers "give their attention to these questions in the coming weeks, in liaison with our central banks, the Financial Stability Forum and the IMF" and "submit us a report of their analysis and proposals at their meeting in October in Washington".

ADB makes first ever loan to Georgia

AFP, Manila

The Asian Development Bank announced here Thursday it was making its first ever loan to Georgia, amounting to 25 million dollars to help strengthen its banking sector.

The loan will go to the Bank of Georgia and will be used for lending to small and medium enterprises, the multilateral aid agency said in a statement from its headquarters in the Philippines.

This marks the first transaction between the ADB and Georgia since that country joined the bank in February, the agency said.



PHOTO: UCB

The 'Half-yearly Branch Managers' Conference' of Dhaka Division of United Commercial Bank (UCB) Ltd, was held recently in the capital. Managing Director of the bank Hamidul Huq and other senior officials were present at the meeting.

Breaking deadlock in Doha round still 'doable': Lamy

AFP, Kuala Lumpur

Breaking a six-year deadlock on the Doha round of talks to smash trade barriers is still possible but will require more trust between rich and poor nations, WTO chief Pascal Lamy said Friday.

"Completing the Doha round is not only technically possible, it is a political must," Lamy told a trade forum in the Malaysian capital of Kuala Lumpur.

"Given what is already on the negotiating table, and what remains to be done, my sense is that concluding this negotiation is both necessary and doable," he stressed.

Breaking the impasse, however, would require crafty negotiators capable of trusting one another.

"Like many other economic challenges, at the end of the day, it is a matter of trust between partners," he said, noting that trade negotiators were "clever tacticians" who will only go "the extra mile if they feel this will be reciprocated by other countries."

Launched in the Qatari capital of 2001, the Doha Development Round of trade liberalisation talks is aimed at cutting subsidies and import duties primarily to help developing nations to take advantage of expanding global trade.

WTO members however have failed to break an impasse over the extent of new cuts in barriers to trade in agriculture, industrial goods and services amid cross-cutting disagreements.

Developing countries have accused rich countries led by the United States of protecting its agriculture sector in particular.

Lamy said that WTO members need to show political will if the talks were to show progress.

"All WTO members will have to make their contribution for the Round to succeed, each one according to its own level of development."

Oil up after overnight slide

AP, Vienna

Oil prices rose Friday after an overnight slide, signaling diminishing concerns about a possible US economic downturn and declines in world stock markets.

On Thursday, the Nymex crude contract fell \$2.33 to settle at \$71 a barrel as investors turned their attention to the cooling US economy and falling stock markets. In the U.S., the stock market tumbled in intraday trading as concerns about economic conditions were exacerbated by more bad news from the mortgage sector, and by dismal reports on housing construction and employment.

Still, Wall Street pulled off a late-session turnaround to close mixed after bargain hunters lured by weeks of massive declines came back to the stock market. The Dow Jones industrials, down more than 340 points in afternoon trading, ended the day with a loss of just 16 points.

Earlier in Asia, news of a U.S. refinery fire helped push crude futures as high as \$71.88, recovering some of the ground lost Thursday in the U.S. Then the Tokyo benchmark Nikkei 225 stock index nose-dived 5.4 percent Friday, and regional markets and oil followed.

But by noon in Europe, light, sweet crude for September delivery rose 49 cents to \$71.49 a barrel in electronic trading on the New York Mercantile Exchange.

"The concerns over the U.S. housing markets and credit markets have caused some liquidation in crude oil futures and that's the key reason for the recent fall in crude oil pricing," said Victor Shum, an energy analyst with Purvin & Gertz in Singapore.

"If concerns about the U.S. housing markets turn out to be short-lived, then the dips in crude oil futures markets could represent buying opportunities. But it's too early to see how serious the credit squeeze problems really are."

Beyond prices that make buying relatively attractive, Vienna's PVM Oil Associates noted other factors driving up the market.

China's urban fixed asset investment up 26.6pc in '07

XINHUA, Beijing

China's fixed assets investment in urban regions totaled 5.67 trillion yuan in the first seven months this year, up 26.6 percent year on year, the National Bureau of Statistics said Thursday.

The growth figure is 3.9 percentage points lower than for the January-July period of last year.

Investment in real estate sector reached 1.21 trillion yuan, up 28.9 percent, while the investment by state owned enterprises came to 2,431.7 billion yuan, up 16.5 percent.

Among the industries, investment in the primary industry enjoyed a 46.2 percent growth to 66.5 billion yuan and that of the secondary industry rose by 28.9 percent to 2.55 trillion yuan. The tertiary industry witnessed an increase of 24.5 percent to 3.05 trillion yuan.

The non-metallic minerals sector saw a 48.8 percent increase year on year; investment in coal mining grew 17.2 percent; and energy was up 12.6 percent.

India's oil imports to grow

AFP, New Delhi

India's dependency on oil imports is likely increase to about 85 percent by 2012 from the current 70 percent as it seeks to fuel a fast-growing economy, an Indian industry group said on Friday.

"Present trends indicate that oil will continue to hold an important position as the preferred fuel in the long term," said the Associated Chambers of Commerce and Industry of India (ASSOCHAM) in a report.

While alternate sources of energy are available "in abundance" in India, harnessing them is still a problem, the report entitled "Future Imperatives of the Crude Oil Scenario."

There has also been a lack of domestic discoveries, it added.

Refining capacity is poised to jump by 58 per cent to touch 235 million tonnes in the next five years, said ASSOCHAM.

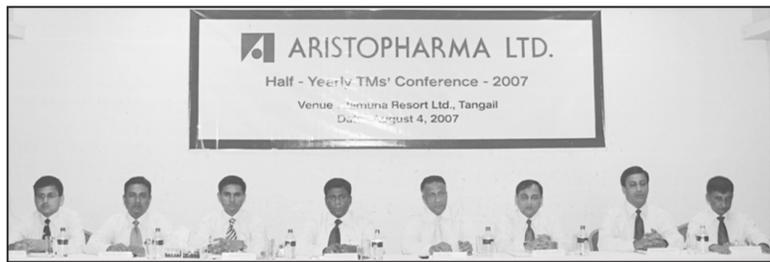


PHOTO: ARISTOPHARMA

The half-yearly territory managers' conference-2007 of Aristopharma Ltd, a pharmaceutical company, was held recently in Tangail. Chairman and Managing Director of the company MA Hassan, among other senior officials, was present at the conference.

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